

EXPORT PERFORMANCE OF PALM OIL PRODUCTS IN MALAYSIA

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ABSTRACT

This research study investigates the performance and competitiveness of Malaysian palm oil export to the world market especially to major countries in the world such as China and European Union. Both countries are the biggest export market for Malaysian palm oil. There is also overview of world demand of Malaysian palm oil in the world export market most importantly after the implementation of biodiesel as alternative source of energy. This study also acknowledge the great potential of Malaysia to maintain its position as the world leading producers and exporter by producing biodiesel according to the EU standard and accepted worldwide.

Researcher has used secondary data or previous study for this research which include government publications, government agencies, statistical analysis, books and periodicals. From the findings, we could see that Malaysia has the advantage of producing and exporting palm oil to the world market since other countries incapable of producing good quality palm oil. Although the volume of palm oil export recorded an increasing trend from 556, 519 tonnes in 2005 to 602, 355 tonnes in the year 2006, the export performance ratio decrease slightly from 92% toward 91% in 2006. This can be said due to several factors such as Malaysian biodiesel blend composition that contain 5% processed palm oil and 95% diesel or B5 does not comply with standard set by European Union that requires a minimum content of 96.5% methyl ester and no more than 0.2% triglycerides. These situations also arise because Indonesia has now beginning to outdo Malaysia in the world export market of palm oil. Based on net export to total trade ratio, we can see that the market share of Malaysian palm oil is twice the share of other commodities export in the world export market.

CHAPTER 1: INTRODUCTION

In West African countries and amongst West African peoples, palm oil was long being used as cooking oil. European merchants trading with West Africa occasionally purchased palm oil for use in Europe but palm oil remains rare outside West Africa since oil was bulky and cheap as well as due to the much higher profits gain from slave trading.

During the early nineteenth century, an African country was obliged to seek new sources of trade revenue because the decline of the Atlantic slave trade as well as Europe's demand for legitimate commerce that is trading in material goods rather than human lives. Since then, palm oil has become a highly traded commodity by British traders as it is being used as industrial lubricant for the machines of Britain's ongoing Industrial Revolution.

Palm oil is a form of edible vegetable oil obtained from the fruit of the oil palm tree. These palm oil is extracted from mature fresh fruit bunches of oil palm and palm kernel oil is extracted from the fruit seeds. Palm oil is used as cooking oil and to make margarine and main non-food uses for palm oil are in the manufactured of soaps and detergents. Palm oil is also being used in the production of greases, lubricants and candles.

There are various edible forms of palm oil traded in the market for instance Crude Palm Oil (CPO), Crude Palmolein, RBD (Refined,Bleached,Deodorized) Palm Oil, RBD Palmolein and Crude Palm Kernel Oil (CPKO). Oil is the stable derivative meaning that it is saturated fat and solid at room temperature from fresh fruit crushed meanwhile